

<p style="text-align: center;"><b>Application Template for Health Insurance Flexibility and Accountability (HIFA) §1115 Demonstration Proposal</b></p>
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The State of **Michigan**, Department of **Community Health** proposes an **amendment** to its section 1115 demonstration entitled **the Adult Benefits Waiver**. This amendment will increase the number of individuals with health insurance coverage in the state of Michigan.

**The amendment described below is designed as a stand-alone package in that the covered populations, funding, and benefits are totally separate from those in the approved HIFA waiver.**

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## **I. GENERAL DESCRIPTION OF PROGRAM**

This **amendment to the Adult Benefits Waiver**, which began on **January 16, 2004**, will provide health insurance coverage to an additional **2,000** residents of the State of **Michigan** with **countable** incomes at or below **100% of the FPL for persons who buy-in to coverage under the waiver**. The increased coverage will be funded by **state general funds and Title XIX federal funds**.

**The waiver will expand coverage by offering a buy-in option to caretakers currently on spend-down for the Caretaker Relative group. Persons covered under the Caretaker Relative buy-in will have to meet the same non-financial eligibility criteria as persons covered under the Caretaker Relative program but may have countable incomes equal to the federal poverty level (FPL). In addition to the expansion, this amendment to Michigan's HIFA waiver will modify the benefits and co-payments of mandatory and optional TANF-related adult populations, thereby allowing the state to maintain their coverage. Without the changes in coverage for these populations, the state will be forced to eliminate some optional eligibility groups and/or benefits.**

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## **II. DEFINITIONS**

**Income:** In the context of the HIFA demonstration, income limits for coverage expansions are expressed in terms of gross income, excluding sources of income that cannot be counted pursuant to other statutes (such as Agent Orange payments.)

**Mandatory Populations:** Refers to those eligibility groups that a State must cover in its Medicaid State Plan, as specified in Section 1902(a)(10) and described at 42 CFR Part 435, Subpart B. For example, States currently must cover children under age 6 and pregnant women up to 133 percent of poverty.

**Optional Populations:** Refers to eligibility groups that can be covered under a Medicaid or SCHIP State Plan, i.e., those that do not require a section 1115 demonstration to receive coverage and who have incomes above the mandatory population poverty levels. Groups are considered optional if they can be included in the State Plan, regardless of whether they are included. The Medicaid optional groups are described at 42 CFR Part 435, Subpart C. Examples include children and pregnant women covered in Medicaid above the mandatory

levels, children covered under SCHIP, and parents covered under Medicaid. For purposes of the HIFA demonstrations, Section 1902(r)(2) and Section 1931 expansions constitute optional populations.

**Expansion Populations:** Refers to any individuals who cannot be covered in an eligibility group under Title XIX or Title XXI and who can only be covered under Medicaid or SCHIP through the section 1115 waiver authority. Examples include pregnant women in SCHIP and childless non-disabled adults under Medicaid.

**Private health insurance coverage:** This term refers to both group health plan coverage and health insurance coverage as defined in section 2791 of the Public Health Service Act.

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### III. HIFA DEMONSTRATION STANDARD FEATURES

Please place a check mark beside each feature to acknowledge agreement with the standard features.

XX The HIFA demonstration will be subject to Special Terms and Conditions (STCs). The core set of STCs is included in the application package. Depending upon the design of its demonstration, additional STCs may apply.

XX Federal financial participation (FFP) will not be claimed for any existing State-funded program. If the State is seeking to expand participation or benefits in a State-funded program, a maintenance of effort requirement will apply.

XX Any eligibility expansion will be statewide, even if other features of the demonstration are being phased-in.

XX HIFA demonstrations will not result in changes to the rate for Federal matching payments for program expenditures. If individuals are enrolled in both Medicaid and SCHIP programs under a HIFA demonstration, the Medicaid match rate will apply to FFP for Medicaid eligibles, and the SCHIP enhanced match rate will apply to SCHIP eligibles.

XX Premium collections and other offsets will be used to reduce overall program expenditures before the State claims Federal match. Federal financial payments will not be provided for expenditures financed by collections in the form of pharmacy rebates, third party liability or premium and cost sharing contributions made by or on behalf of program participants.

XX The State has utilized a public process to allow beneficiaries and other interested stakeholders to comment on its proposed HIFA demonstration.

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### IV. STATE SPECIFIC ELEMENTS

#### A. Upper income limit

The upper income limit for the eligibility expansion under the demonstration is **100% of the FPL for the buy-in option. Income limits for the Section 1931 group and for the optional TANF-related groups covered by the State will continue to be the Protected Income Limits currently used by the Michigan Medicaid program for these populations.**

If the upper income limit is above 200 percent of the FPL, the State will demonstrate that focusing resources on populations below 200 percent of the FPL is unnecessary because the State already has high coverage rates in this income range, and covering individuals above 200 percent of the FPL under the demonstration will not induce individuals with private health insurance coverage to drop their current coverage. (Please include a detailed description of your approach as Attachment A to the proposal.)

### **B. Eligibility**

Please indicate with check marks which populations you are proposing to include in your HIFA demonstration.

#### *Mandatory Populations (as specified in Title XIX.)*

- ☒ Section 1931 Families
- ☐ Blind and Disabled
- ☐ Aged
- ☐ Poverty-related Children and Pregnant Women

#### *Optional Populations (included in the existing Medicaid State Plan)*

##### Categorical

- ☐ Children and pregnant women covered in Medicaid above the mandatory level
- ☐ Parents covered under Medicaid
- ☐ Children covered under SCHIP
- ☐ Parents covered under SCHIP
- ☐ Other (please specify)

##### Medically Needy

- ☒ TANF Related
- ☐ Blind and Disabled

\_\_\_\_\_ Aged

\_\_\_\_\_ Title XXI children (Separate SCHIP Program)

\_\_\_\_\_ Title XXI parents (Separate SCHIP Program)

*Additional Optional Populations (not included in the existing Medicaid or SCHIP State Plan.) If the demonstration includes optional populations not previously included in the State Plan, the optional eligibility expansion must be statewide in order for the State to include the cost of the expansion in determining the annual budget limit for the demonstration.)*

Populations that can be covered under a Medicaid or SCHIP State Plan

- \_\_\_\_\_ Children above the income level specified in the State Plan  
This category will include children from \_\_\_\_\_percent of the FPL through \_\_\_\_\_percent of the FPL.
- \_\_\_\_\_ Pregnant women above the income level specified in the State Plan  
This category will include individuals from \_\_\_\_ percent of the FPL through \_\_\_\_ percent of the FPL.
- \_\_\_\_\_ Parents above the current level specified in the State Plan  
This category will include individuals from \_\_ percent of the FPL through \_\_ percent of the FPL.

*Existing Expansion Populations*

Populations that are not defined as an eligibility group under Title XIX or Title XXI, but are already receiving coverage in the State by virtue of an existing section 1115 demonstration.

- \_\_\_\_\_ Childless Adults (This category will include individuals from \_\_\_\_\_percent of the FPL through \_\_\_\_\_percent of the FPL.)
- \_\_\_\_\_ Pregnant Women in SCHIP (This category will include individuals from \_\_\_\_\_percent of the FPL through \_\_\_\_\_percent of the FPL.)
- \_\_\_\_\_ Other. Please specify: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(If additional space is needed, please include a detailed discussion as Attachment B to your proposal and specify the upper income limits.)

### *New Expansion Populations*

Populations that are not defined as an eligibility group under Title XIX or Title XXI, and will be covered only as a result of the new HIFA demonstration.

\_\_\_ Childless Adults (This category will include individuals from \_\_\_ percent of the FPL through \_\_\_ percent of the FPL.)

\_\_\_ Pregnant Women in SCHIP (This category will include individuals from \_\_\_ percent of the FPL through \_\_\_ percent of the FPL.)

XX Other. Please specify: **Parents and persons acting as parents who, except for excess income, would be eligible for coverage under Section 1931 or the Caretaker Relative coverage may buy-in if their countable incomes do not exceed 100% of the federal poverty level for their fiscal group. (Please see attachment B for details)** \_\_\_\_\_

\_\_\_\_\_  
(If additional space is needed, please include a detailed discussion as Attachment B to your proposal and specify the upper income limits.)

### **C. Enrollment/Expenditure Cap**

XX No

\_\_\_ Yes

(If Yes) Number of participants \_\_\_\_\_

or dollar limit of demonstration

(Express dollar limit in terms of total computable program costs.)

### **D. Phase-in**

Please indicate below whether the demonstration will be implemented at once or phased in.

XX The HIFA demonstration will be implemented at once.

\_\_\_ The HIFA demonstration will be phased-in.

If applicable, please provide a brief description of the State's phase-in approach **(including a timeline)**

## **E. Benefit Package**

Please use check marks to indicate which benefit packages you are proposing to provide to the various populations included in your HIFA demonstration.

### **1. Mandatory Populations**

XX The benefit package specified in the Medicaid State Plan as of the date of the HIFA application **(with modifications in co-payments and optional coverages as noted in Attachment C for these amendment populations).**

### **2. Optional populations included in the existing Medicaid State Plan**

- \_\_\_\_\_ The same coverage provided under the State's approved Medicaid State plan.
- \_\_\_\_\_ The benefit package for the health insurance plan this is offered by an HMO and has the largest commercial, non-Medicaid enrollment in the State
- \_\_\_\_\_ The standard Blue Cross/Blue Shield preferred provider option service benefit plan that is described in, and offered to Federal employees under 5 U.S.C. 8903(1). (Federal Employees Health Benefit Plan (FEHBP))
- \_\_\_\_\_ A health benefits coverage plan that is offered and generally available to State employees
- \_\_\_\_\_ A benefit package that is actuarially equivalent to one of those listed above
- XX Secretary approved coverage. (The proposed benefit package is described in Attachment C.)

Note: For Secretary approved coverage, benefit packages must include these basic services: inpatient and outpatient hospital services, physicians surgical and medical services, laboratory and x-ray services, well-baby and well-child care, including age appropriate immunizations.

### **3. SCHIP populations, if they are to be included in the HIFA demonstration**

States with approved SCHIP plans may provide the benefit package specified in Medicaid State plan, or may choose another option specified in Title XXI. (If the State is proposing to change its existing SCHIP State Plan as part of implementing a HIFA demonstration, a corresponding plan amendment must be submitted.) SCHIP coverage will consist of:

- \_\_\_\_\_ The same coverage provided under the State's approved Medicaid State plan.
- \_\_\_\_\_ The benefit package for the health insurance plan this is offered by an HMO and has the largest commercial, non-Medicaid enrollment in the State
- \_\_\_\_\_ The standard Blue Cross/Blue Shield preferred provider option service benefit plan that is described in, and offered to Federal employees under 5 U.S.C. 8903(1). (Federal Employees Health Benefit Plan (FEHBP))
- \_\_\_\_\_ A health benefits coverage plan that is offered and generally available to State employees
- \_\_\_\_\_ A benefit package that is actuarially equivalent to one of those listed above

\_\_\_\_\_ Secretary approved coverage. (The proposed benefit package is described in Attachment C.)

Note: For Secretary approved coverage, benefit packages must include these basic services: inpatient and outpatient hospital services, physicians surgical and medical services, laboratory and x-ray services, well-baby and well-child care, including age appropriate immunizations.

4. New optional populations to be covered as a result of the HIFA demonstration

- \_\_\_\_\_ The same coverage provided under the State's approved Medicaid State plan.
- \_\_\_\_\_ The benefit package for the health insurance plan this is offered by an HMO and has the largest commercial, non-Medicaid enrollment in the State
- \_\_\_\_\_ The standard Blue Cross/Blue Shield preferred provider option service benefit plan that is described in, and offered to Federal employees under 5 U.S.C. 8903(1). (Federal Employees Health Benefit Plan (FEHBP))
- \_\_\_\_\_ A health benefits coverage plan that is offered and generally available to State employees
- \_\_\_\_\_ A benefit package that is actuarially equivalent to one of those listed above
- \_\_\_\_\_ Secretary approved coverage. (The proposed benefit package is described in Attachment C.)

Note: For Secretary approved coverage, benefit packages must include these basic services: inpatient and outpatient hospital services, physicians surgical and medical services, laboratory and x-ray services, well-baby and well-child care, including age appropriate immunizations.

5. Expansion Populations – States have flexibility in designing the benefit package, however, the benefit package must be comprehensive enough to be consistent with the goal of increasing the number of insured persons in the State and must include at least a primary care benefit, which means all health care services customarily furnished by or through a general practitioner, family physician, internal medicine physician, obstetrician/gynecologist, or pediatrician. Please check the services to be included.

- X Inpatient
- X Outpatient
- X Physician's Surgical and Medical Services
- X Laboratory and X-ray Services
- X Pharmacy

\_\_\_\_\_ Other (please specify)

Please include a detailed description of any Secretary approved coverage or flexible expansion benefit package as Attachment C to your proposal. Please include a discussion of whether different benefit packages will be available to different expansion populations.

## **F. Coverage Vehicle**

Please check the coverage vehicle(s) for all applicable eligibility categories in the chart below (check multiple boxes if more than one coverage vehicle will be used within a category):

<b>Eligibility Category</b>	<b>Fee-For-Service</b>	<b>Medicaid or SCHIP Managed Care</b>	<b>Private health insurance coverage</b>	<b>Group health plan coverage</b>	<b>Other (specify)</b>
Mandatory	XXXXX	XXXXX			
Optional – Existing	XXXXX	XXXXX			
Optional – Expansion	XXXXX	XXXXX	XXXXX (employer buy-in)		
Title XXI – Medicaid Expansion					
Title XXI – Separate SCHIP					
Existing section 1115 expansion					
New HIFA Expansion					

Please include a detailed description of any private health insurance coverage options as Attachment D to your proposal.

## **G. Private health insurance coverage options**

Coordination with private health insurance coverage is an important feature of a HIFA demonstration. One way to achieve this goal is by providing premium assistance or “buying into” employer-sponsored insurance policies. Description of additional activities may be provided in Attachment D to the State’s application for a HIFA demonstration. If the State is employing premium assistance, please use the section below to provide details.

XX As part of the demonstration the State will be providing premium assistance for private health insurance coverage under the demonstration. Provide the information below for the relevant demonstration population(s):

The State elects to provide the following coverage in its premium assistance program: (Check all applicable, and describe benefits and wraparound arrangements, if applicable, in Attachment D to the proposal if necessary. If the State is offering different arrangements to different populations, please explain in Attachment D.)

\_\_\_\_\_ The same coverage provided under the State’s approved Medicaid plan.



\_\_\_\_\_ The same coverage provided under the State's approved SCHIP plan.

\_\_\_\_\_ The benefit package for the health insurance plan that is offered by an HMO, and has the largest commercial, non-Medicaid enrollment in the State.

\_\_\_\_\_ The standard Blue Cross/Blue Shield preferred provider option service benefit plan that is described in, and offered to Federal employees under 5 U.S.C. 8903(1). (Federal Employees Health Benefit Plan (FEHBP))

\_\_\_\_\_ A health benefits coverage plan that is offered and generally available to State employees.

\_\_\_\_\_ A benefit package that is actuarially equivalent to one of those listed above (please specify).

\_\_\_\_\_ Secretary-Approved coverage.

XX Other coverage defined by the State. (A copy of the benefits description must be included in Attachment C.) **The State will, at the beneficiary's option, provide a monthly payment to the beneficiary that is equal in value to the actuarially determined value of the health coverage provided to the eligibility group that includes the beneficiary. The purpose of the payment will be to subsidize the beneficiary's purchase of employer-sponsored health coverage. The State will monitor the beneficiary's enrollment in the employer-sponsored coverage to ensure that the beneficiary remains enrolled. If the beneficiary's share of the premium for employer-sponsored coverage is less than the actuarially determined value of the state coverage, the monthly premium will be reduced to the actual amount paid by the beneficiary. (See attachment D for a more detailed description of the premium assistance program.)**

XX The State assures that it will monitor aggregate costs for enrollees in the premium assistance program for private health insurance coverage to ensure that costs are not significantly higher than costs would be for coverage in the direct coverage program. (A description of the Monitoring Plan will be included in Attachment D.)

XX The State assures that it will monitor changes in employer contribution levels or the degree of substitution of coverage and be prepared to make modifications in its premium assistance program. (Description will be included as part of the Monitoring Plan.)

#### **H. Cost Sharing**

Please check the cost sharing rules for all applicable eligibility categories in the chart below:

<b>Eligibility Category</b>	<b>Nominal Amounts Per Regulation</b>	<b>Up to 5 Percent of Family Income</b>	<b>State Defined</b>
Mandatory			XXXX
Optional – Existing (Children)			
Optional – Existing (Adults)			XXXX
Optional – Expansion (Children)			
Optional – Expansion (Adults)			XXXX
Title XXI – Medicaid Expansion			
Title XXI – Separate SCHIP			
Existing section 1115 Expansion			

#### *Cost-sharing for children*

Only those cost-sharing amounts that can be attributed directly to the child (i.e. co-payments for the child's physician visits or prescription drugs) must be counted against the cap of up to five percent of family income. Cost-sharing amounts that are assessed to a family group that includes adults, such as family premiums, do not need to be counted as 'child cost-sharing' for the purposes of the up to five percent cost-sharing limit. A premium covering only the children in a family must be counted against the cap.

Below, please provide a brief description of the methodology that will be used to monitor child-only cost-sharing expenses when the child is covered as part of the entire family and how those expenses will be limited to up to five percent of the family's income.

Any State defined cost sharing must be described in Attachment E. In addition, if cost sharing limits will differ for participants in a premium assistance program or other private health insurance coverage option, the limits must be specified in detail in Attachment E to your proposal.

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## **V. Accountability and Monitoring**

Please provide information on the following areas:

## 1. Insurance Coverage

The rate of uninsurance in your State **as of 1999** for individuals below 200 percent of poverty and any other groups that will be covered under the demonstration project.

**Uninsured adults 18 through 64 years-of-age      30.3% or 369,535 individuals**

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The coverage rates in your State for the insurance categories for individuals below 200 percent of poverty and any other groups that will be covered under the demonstration project:

Private Health Insurance Coverage Under a Group Health Plan

**35.4% or 431,485 individuals**

Other Private Health Insurance Coverage

**9.1% or 110,446 individuals**

Medicaid (please separately identify enrollment in any section 1906 or section 1115 premium assistance)

**25.4% or 310,246 individuals**

SCHIP (please separately identify any premium assistance)

**0.0% Adults are not currently enrolled in SCHIP**

Medicare

**95.2% or 418,220 individuals**

Other Insurance

**5.3% or 64,868 individuals**

Indicate the data source used to collect the insurance information presented above (the State may use different data sources for different categories of coverage, as appropriate):

XX The Current Population Survey

\_\_\_\_\_ Other National Survey (please specify \_\_\_\_\_)

\_\_\_\_\_ State Survey (please specify \_\_\_\_\_)

\_\_\_\_\_ Administrative records (please specify\_\_\_\_\_)

\_\_\_\_\_ Other (please specify\_\_\_\_\_)

Adjustments were made to the Current Population Survey or another national survey.

\_\_\_\_\_ Yes                      XX No

If yes, a description of the adjustments must be included in Attachment F.

A State survey was used.

\_\_\_\_\_ Yes                      XX No

If yes, provide further details regarding the sample size of the survey and other important design features in Attachment F.

If a State survey is used, it must continue to be administered through the life of the demonstration so that the State will be able to evaluate the impact of the demonstration on coverage using comparable data.

## **2. State Coverage Goals and State Progress Reports**

The goal of the HIFA demonstration is to reduce the uninsured rate. For example, if a State was providing Medicaid coverage to families, a coverage goal could be that the State expects the uninsured rate for families to decrease by 5 percent. Please specify the State's goal for reducing the uninsured rate:

Attachment F must include the State's Plan to track changes in the uninsured rate and trends in sources of insurance as listed above. States should monitor whether there are unintended consequences of the demonstration such as high levels of substitution of private coverage and major decreases in employer contribution levels. (See the attached Special Terms and Conditions.)

XX Annual progress reports will be submitted to CMS six months after the end of each demonstration year which provide the information described in this plan for monitoring the uninsured rate and trends in sources of insurance coverage.

States are encouraged to develop performance measures related to issues such as access to care, quality of services provided, preventative care, and enrollee satisfaction. The performance plan must be provided in Attachment F.

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## **VI. PROGRAM COSTS**

A requirement of HIFA demonstrations is that they not result in an increase in federal costs compared to costs in the absence of the demonstration. Please submit expenditure data as

Attachment G to your proposal. For your convenience, a sample worksheet for submission of base year data is included as part of the application packet.

The base year will be trended forward according to one of the growth rates specified below. Please designate the preferred option:

\_\_\_\_\_ Medical Care Consumer Price Index, published by the Bureau of Labor Statistics. (Available at <http://stats.bls.gov>.) The Medical Care Consumer Price Index will only be offered to States proposing statewide demonstrations under the HIFA initiative. If the State chooses this option, it will not need to submit detailed historical data.

\_\_\_\_\_ Medicaid-specific growth rate. States choosing this option should submit five years of historical data for the eligibility groups included in the demonstration proposal for assessment by CMS staff, with quantified explanations of trend anomalies. A sample worksheet for submission of this information is included with this application package. The policy for trend rates in HIFA demonstrations is that trend rates are the lower of State specific history or the President's Budget Medicaid baseline for the eligibility groups covered by a State's proposal. This option will lengthen the review time for a State's HIFA proposal because of the data generation and assessment required to establish a State specific trend factor.

The State **estimates** the cost of this program will be **\$1.9 billion** over its **five (5)** year approval period.

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## VII. WAIVERS AND EXPENDITURE AUTHORITY REQUESTED

### A. **Waivers**

The following waivers are requested pursuant to the authority of section 1115(a)(1) of the Social Security Act (Please check all applicable):

#### **Title XIX:**

##### \_\_\_\_\_ **Statewideness 1902(a)(1)**

To enable the State to phase in the operation of the demonstration.

##### **XX Amount, Duration, and Scope 1902(a)(10)(B)**

To permit the provision of different benefit packages to different populations in the demonstration. Benefits (i.e., amount, duration and scope) may vary by individual based on eligibility category.

##### **XX Freedom of Choice 1902(a)(23)**

To enable the State to restrict the choice of provider.

#### **Title XXI:**

\_\_\_ **Benefit Package Requirements 2103**

To permit the State to offer a benefit package that does not meet the requirements of section 2103.

\_\_\_ **Cost Sharing Requirements 2103(e)**

To permit the State to impose cost sharing in excess of statutory limits.

**B. Expenditure Authority**

Expenditure authority is requested under Section 1115(a)(2) of the Social Security Act to allow the following expenditures (which are not otherwise included as expenditures under Section 1903 or Section 2105) to be regarded as expenditures under the State's Title XIX or Title XXI plan.

**Note:** Checking the appropriate box(es) will allow the State to claim Federal Financial Participation for expenditures that otherwise would not be eligible for Federal match.

XX Expenditures to provide services to populations not otherwise eligible to be covered under the Medicaid State Plan.

. \_\_\_ Expenditures related to providing \_\_\_ months of guaranteed eligibility to demonstration participants

XX Expenditures related to coverage of individuals for whom cost-sharing rules not otherwise allowable in the Medicaid program apply.

**Title XXI:**

\_\_\_ Expenditures to provide services to populations not otherwise eligible under a State child health plan.

\_\_\_ Expenditures related to providing \_\_\_ months of guaranteed eligibility to \_\_\_ demonstration participants.

\_\_\_ Expenditures that would not be payable because of the operation of the limitations at 2105(c)(2) because they are not for targeted low-income children.

If additional waivers or expenditure authority are desired, please include a detailed request and justification as Attachment H to the proposal.

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**VIII. ATTACHMENTS**

Place check marks beside the attachments you are including with your application.

\_\_\_\_\_ Attachment A: Discussion of how the State will ensure that covering individuals above 200 percent of poverty under the waiver will not induce individuals with private health insurance coverage to drop their current coverage.

XX Attachment B: Detailed description of expansion populations included in the demonstration.

XX Attachment C: Benefit package description.

XX Attachment D: Detailed description of private health insurance coverage options, including premium assistance if applicable.

XX Attachment E: Detailed discussion of cost sharing limits.

XX Attachment F: Additional detail regarding measuring progress toward reducing the rate of uninsurance.

XX Attachment G: Budget worksheets.

XX Attachment H: Additional waivers or expenditure authority request and justification.

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## IX. SIGNATURE

\_\_\_\_\_  
Date

**Paul Reinhart, Director, Medical Services Administration**  
Name of Authorizing State Official (Typed)

\_\_\_\_\_  
Signature of Authorizing State Official